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Municipal tax hike disappoints the oil sands industry

Fort McMurray – The 10 per cent tax increase imposed on rural, non-residential business by the Regional Municipality of Wood Buffalo in its 2009 budget will harm an industry already coping with difficult economic times.

“We are extremely disappointed to see another substantial tax hike that will place an additional financial burden on the oil sands industry,” said Don Thompson, president of the Oil Sands Developers Group. “We had hoped council would have addressed their budget by instructing administration to review costs and adjust them to meet the current economic situation. That’s something our industry, small business owners and local residents have already done during this economic downturn.”

Council’s decision follows significant tax increases on the oil sands industry in the past two years of 36 per cent in 2008 and 55 per cent in 2007.

“In 2008 alone, industry paid more than 85 per cent of the municipal tax revenue,” said Mr. Thompson. “This is up from about 60 per cent in 2006. While we support paying our fair share of taxes, these types of increases go well beyond that principle.”

The oil sands industry pays taxes on the assessed value of machinery and equipment in addition to buildings and structures under the same municipal mill rate. Because most of the industry’s assets fall into the machinery and equipment category, it is the largest source of tax revenue for the Regional Municipality of Wood Buffalo.

“In addition to the taxes our industry pays each year, we also provide and support our own infrastructure, such as roads, waste water treatment, and water treatment plants for potable water,” Mr. Thompson said. “We also provide emergency and medical services that we readily offer to the municipality for incidents on Highway 63, in Fort McKay and other outlying communities through the Mutual Aid Agreement.”

Council’s decision to support a large tax increase despite the economic downturn and dramatically slower development disappointed the industry, particularly since the budget was passed without any information related to the surplus from the 2008/9 fiscal year.

“We take some comfort that the vote on the tax increase was not unanimous and some members of council clearly understand our position and the need for a competitive tax rate,” Mr. Thompson said. “We’ll continue to work with the municipality and its elected officials on this important issue to build a better understanding of the economics surrounding the oil sands. In the future, we are hopeful they’ll move towards moderating the unequal tax burden on industry.”

The Oil Sands Developers Group works closely with oil sands operators and developers, related industries, governments, Aboriginal peoples, and other organizations active in the Athabasca oil sands deposit region to define and address regional issues related to oil sands development.

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